



Royal Philips Electronics

Q1

Quarterly report

April 14, 2008

Forward-looking statements

This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items, in particular the outlook paragraph in this report. Examples of forward-looking statements include statements made about our strategy, estimates of sales growth, future EBITA and future developments in our organic business. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

These factors include but are not limited to domestic and global economic and business conditions, the successful implementation of our strategy and our ability to realize the benefits of this strategy, our ability to develop and market new products, changes in legislation, legal claims, changes in exchange and interest rates, changes in tax rates, pension costs, raw materials and employee costs, our ability to identify and complete successful acquisitions and to integrate those acquisitions into our business, our ability to successfully exit certain businesses or restructure our operations, the rate of technological changes, political, economic and other developments in countries where Philips operates, industry consolidation and competition. As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements.

Statements regarding market share, including those regarding Philips' competitive position, contained in this document are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

Use of non-US GAAP information

In presenting and discussing the Philips Group's financial position, operating results and cash flows, management uses certain non-US GAAP financial measures. These non-US GAAP financial measures should not be viewed in isolation as alternatives to the equivalent US GAAP measure(s) and should be used in conjunction with the most directly comparable US GAAP measure(s). A discussion of the non-US GAAP measures included in this document and a reconciliation of such measures to the most directly comparable US GAAP measure(s) are contained in this document.

Use of fair-value measurements

In presenting the Philips Group's financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When a readily determinable market value does not exist, fair values are estimated using valuation models which we believe are appropriate for their purpose. They require management to make significant assumptions with respect to future developments which are inherently uncertain and may therefore deviate from actual developments. In certain cases, independent valuations are obtained to support management's determination of fair values.

All amounts in millions of euros unless otherwise stated; data included are unaudited.

Financial reporting is in accordance with US GAAP, unless otherwise stated.

Updated to reflect the new sector reporting structure and to reflect changes in accounting policies for pensions under International Financial Reporting Standards (IFRS).

Philips reports EBITA of EUR 265 million, driven by Healthcare and Lighting

- Group sales increase to EUR 5,965 million; growth in Healthcare and Lighting offset by lower television sales.
- Ongoing growth at Healthcare with 5% higher sales; 9% higher equipment order intake, including double-digit growth in North America.
- Continuing strong growth of 17% in emerging markets.
- Decisive action taken to improve the profitability of the television business through an alliance with Funai in North America and optimization of the global supply base.
- Net income of EUR 219 million, compared with EUR 875 million in Q1 2007, when EUR 650 million higher gains on the sale of stakes boosted the bottom line.
- Vision 2010 EBITA target specified and upgraded to 10-11%.

Gerard Kleisterlee, President and CEO of Royal Philips Electronics:

"We look back on a quarter with essentially good financial performance across most of our businesses. Unfortunately our results are clouded, more than we like, by the adverse situation in our TV business, significantly lower incidental license income and some acquisition-related charges impacting EBITA.

I'm particularly pleased about the continuing progress in our Healthcare sector. Together with the solid performance in Lighting and the non-TV businesses in Consumer Lifestyle, this underscores the robustness of our business portfolio in times of economic headwind. Also our excellent growth in emerging markets is a confirmation of the benefits of our good geographic spread. With respect to our TV business we took the decisive action we had promised and I compliment our Consumer Lifestyle team for subsequently coming up quickly with a value-creating solution.

PHILIPS

With the integration of Respironics, VISICU and Genlyte having started and our current share buy-back program in full swing, we are also in a position to reaffirm our confidence in achieving our Vision 2010 target of more than doubling our EBITA per share and to upgrade our EBITA margin target to 10 - 11%.

I am confident that 2008 will be another year of progress for Philips. We will continue to further optimize our portfolio, improve productivity and offer our customers exciting new products. We will certainly also take additional measures to deal with the effects of softening economies where needed in order to keep our margins where we want them.”

Net income		
in millions of euros unless otherwise stated		
	Q1 2007	Q1 2008
Sales	5,930	5,965
EBITA	370	265
as a % of sales	6.2	4.4
EBIT	312	175
as a % of sales	5.3	2.9
Financial income and expenses	681	46
Income tax expense	(92)	(49)
Results equity-accounted investees	(49)	60
Income from continuing operations	852	232
Discontinued operations	23	(13)
Net income	875	219
Per common share (in euros) - basic	0.80	0.21

Sales by sector				
in millions of euros unless otherwise stated				
	Q1	Q1	% change	
	2007	2008	nominal	comparable
Healthcare	1,431	1,474	3	5
Lighting	1,474	1,711	16	3
Consumer Lifestyle	2,816	2,662	(5)	-
I&EB	160	79	(51)	(22)
GM&S	49	39	(20)	(22)
Philips Group	5,930	5,965	1	1

Highlights in the quarter

Net income

- The decline in income from continuing operations compared to Q1 2007 was attributable to lower year-on-year gains on the sale of stakes. Q1 2007 included a net gain of EUR 733 million from the partial sale of our shareholding in TSMC, whereas Q1 2008 included a EUR 83 million gain on the partial sale of the shareholding in LG Display. The revaluation result recorded on the options related to the TPV convertible bonds was EUR 21 million lower than in Q1 2007.
- EBITA was EUR 105 million lower than in Q1 2007, entirely due to a EUR 44 million reduction in earnings at Connected Displays, EUR 38 million of acquisition-related charges in Healthcare and Lighting, and a EUR 52 million reduction in license income, mainly incidental past-use optical license revenues.
- Results relating to equity-accounted investees increased by EUR 109 million year-on-year, entirely driven by improved operational results at LG Display.
- The lower income from discontinued operations was attributable to final settlements in Q1 2007 relating to the Semiconductors transaction.

Sales by sector

- Sales in the quarter totaled EUR 5,965 million, a nominal increase of 1% compared to Q1 2007. Excluding portfolio changes (4%) and a negative currency impact, comparable sales also grew by 1%, driven by Healthcare and Lighting. Comparable sales at Consumer Lifestyle were flat year-on-year.
- **Healthcare** sales grew 5% on a comparable basis, mainly driven by growth in Ultrasound, Cardiac Care, Customer Services and Patient Monitoring. Comparable sales at Imaging Systems were at the same level as in Q1 2007.
- **Lighting** sales showed comparable growth of 3%, driven by growth in Lamps, Lighting Electronics and Professional Luminaires, partly offset by lower sales at Special Lighting Applications and at Lumileds due to a product recall earlier in the quarter.
- **Consumer Lifestyle** sales were on par with Q1 2007 on a comparable basis. Solid growth was seen in Domestic Appliances, Shaving & Beauty and Home Networks, offset by lower sales at Connected Displays (mainly consumer television) and Video & Multimedia Applications.
- Sales in **I&EB** decreased 22% on a comparable basis, mainly due to a decline in license revenues.

Sales by region

in millions of euros unless otherwise stated

	Q1	Q1	% change	
	2007	2008	nominal	comparable
Europe/Africa	2,797	2,841	2	3
North America	1,641	1,645	-	(9)
Latin America	367	412	12	15
Asia Pacific	1,125	1,067	(5)	4
Philips Group	5,930	5,965	1	1

Sales by region

- Solid sales growth was visible across the emerging markets, led by Latin America, Eastern Europe, China and India, all of which recorded double-digit growth. Sales in Japan were lower than in Q1 2007 due to softer demand for Healthcare.
- In North America, comparable sales declined by 9%, largely due to lower sales at Connected Displays.
- Solid growth in Western Europe was moderated by lower sales at Connected Displays, which tempered the impact of growth in other businesses.

EBITA

in millions of euros unless otherwise stated

	Q1 2007	Q1 2008
Healthcare	119	121
Lighting	186	200
Consumer Lifestyle	141	77
Innovation & Emerging Businesses	(31)	(68)
Group Management & Services	(45)	(65)
Philips Group	370	265
as a % of sales	6.2	4.4

EBITA

as a % of sales

	Q1 2007	Q1 2008
Healthcare	8.3	8.2
Lighting	12.6	11.7
Consumer Lifestyle	5.0	2.9
Innovation & Emerging Businesses	(19.4)	(86.1)
Group Management & Services	(91.8)	(166.7)
Philips Group	6.2	4.4

EBIT

in millions of euros unless otherwise stated

	Q1 2007	Q1 2008
Healthcare	73	77
Lighting	177	158
Consumer Lifestyle	138	73
Innovation & Emerging Businesses	(31)	(68)
Group Management & Services	(45)	(65)
Philips Group	312	175
as a % of sales	5.3	2.9

Earnings

- EBITA amounted to EUR 265 million, or 4.4% of sales, EUR 105 million lower than in Q1 2007. Increased earnings at Lighting and Healthcare were more than offset by lower EBITA at Consumer Lifestyle, which saw a decline of EUR 64 million compared to Q1 2007, entirely due to Connected Displays and Optical Licenses.
- **Healthcare** EBITA was slightly above Q1 2007 at EUR 121 million, or 8.2% of sales, including acquisition-related charges of approximately EUR 19 million.
- **Lighting** EBITA increased by EUR 14 million to EUR 200 million, including acquisition-related charges of EUR 19 million.
- **Consumer Lifestyle** EBITA declined by EUR 64 million to EUR 77 million, or 2.9% of sales. A EUR 44 million reduction in Connected Displays' EBITA and EUR 30 million lower past-use optical license revenue more than offset moderate improvements in the rest of the business.
- **I&EB** EBITA declined by EUR 37 million compared to Q1 2007, mainly due to EUR 20 million lower IP license revenues and a loss of EUR 13 million on the divestment of HTP Optics.
- **GM&S** EBITA was EUR 20 million lower compared to the corresponding period of 2007, mainly due to pension-related costs and a different year-on-year spending pattern in corporate costs.

Financial income and expenses

in millions of euros

	Q1 2007	Q1 2008
Interest expenses, net	(13)	(5)
TSMC sale of securities	733	-
LG Display sale of securities	-	83
TPV option fair-value adjustment	(5)	(26)
Other	(34)	(6)
	681	46

Results relating to equity-accounted investees

in millions of euros

	Q1 2007	Q1 2008
LG Display	(47)	66
Other	(2)	(6)
	(49)	60

Financial income and expenses

- As a result of a higher average net cash position, net interest expenses were lower than in Q1 2007.
- The sale of a further stake in LG Display yielded a net gain of EUR 83 million. The fair-value adjustment of the TPV bond options resulted in a loss of EUR 26 million.
- Q1 2007 included a EUR 733 million gain on the sale of shares in TSMC, partly offset by a EUR 36 million loss on the market-value adjustment of JDS Uniphase.

Results relating to equity-accounted investees

- Results relating to equity-accounted investees went from a EUR 49 million loss in Q1 2007 to a profit of EUR 60 million, entirely driven by improved operational results at LG Display. Effective March 1, Philips ceased equity accounting and going forward will account for its remaining stake in LG Display on a fair-value basis.

Cash balance

in millions of euros

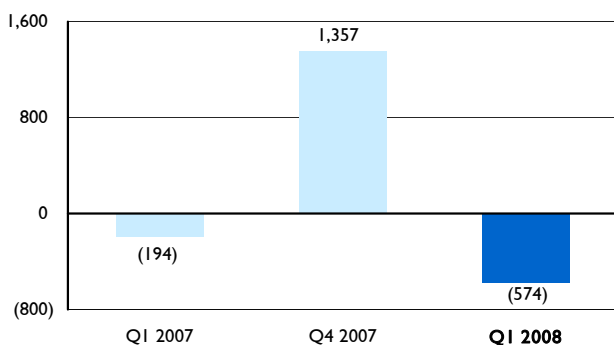
	Q1 2007	Q1 2008
Cash of continuing operations	5,886	8,769
Cash of discontinued operations	137	108
Beginning balance	6,023	8,877
Net cash from operating activities	(194)	(574)
Gross capital expenditures	(171)	(176)
Acquisitions/divestments	(487)	(5,213)
Other cash from investing activities	1,136	925
Repurchase of treasury shares	(306)	(967)
Changes in debt/other	(12)	1,904
Net cash flow discontinued operations	(83)	(21)
Ending balance	5,906	4,755
Less cash of discontinued operations	127	98
Cash of continuing operations	5,779	4,657

Cash balance

- The Group's cash balance declined by EUR 4.1 billion as a result of the EUR 5.2 billion cash payments for acquisitions (Respironics, Genlyte and VISICU) and EUR 1.0 billion in share repurchases. Cash required for operating activities was some EUR 380 million higher than in Q1 2007. The issuance of bonds led to a cash inflow of EUR 2.0 billion, whereas the sale of 24 million shares in LG Display yielded cash proceeds of EUR 670 million.
- Q1 2007's cash balance declined by EUR 117 million, as the acquisition of PLI (EUR 561 million), share repurchases of EUR 306 million and free gross cash flow requirements (EUR 365 million) were partly offset by EUR 1.1 billion receipts from the sale of shares in TSMC.

Cash flows from operating activities

in millions of euros

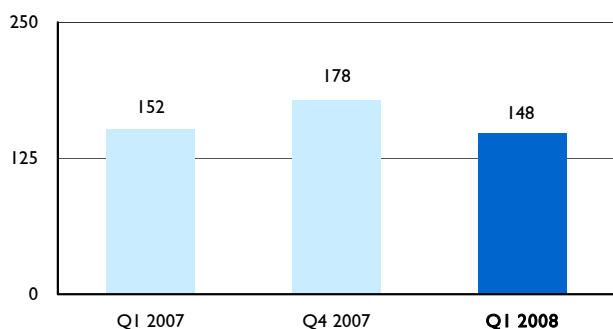


Cash flows from operating activities

- Cash required for operating activities was EUR 380 million higher than in Q1 2007, mainly caused by higher working capital and by last year's sale of EUR 182 million of TSMC stock received as a dividend. Higher working capital requirements were mainly visible in the Consumer Lifestyle sector (principally inventories in Connected Displays) and in Healthcare (mainly accounts receivable due to a temporary delay in collection on the back of a change in IT systems).

Gross capital expenditures (PPE*)

in millions of euros

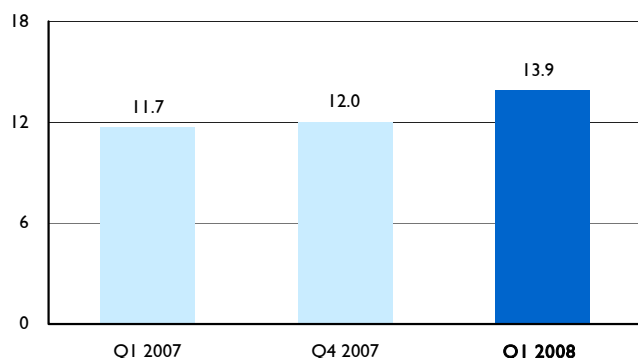


Gross capital expenditures (PPE*)

- Gross capital expenditures declined from EUR 152 million in Q1 2007 to EUR 148 million in Q1 2008. Expenditures were lower across all sectors with the exception of Lighting, where the inclusion of PLI and Genlyte led to higher investments compared to Q1 2007.

* Capital expenditures on property, plant and equipment only

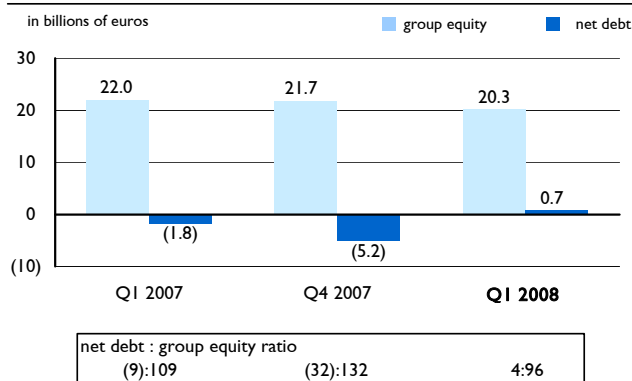
Inventories as a % of sales



Inventories

- As a percentage of sales, inventories increased from 11.7% in Q1 2007 to 13.9%. Adjusting for the upward impact of recent acquisitions, inventories would have ended Q1 at a level of 12.9% of sales. The increase compared to Q1 2007 centered on Healthcare (Imaging and Service inventories) and Consumer Lifestyle (Connected Displays).

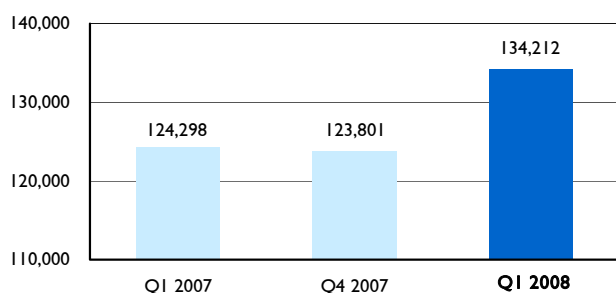
Net debt and group equity



Net debt and group equity

- At the end of Q1, the Philips Group had net debt of EUR 0.7 billion, compared to a net cash position of EUR 5.2 billion at the beginning of the year.
- The increase in net debt was mainly attributable to acquisition-related cash outflows totaling EUR 5.2 billion for Respiration, Genlyte and VISICU, as well as a further share repurchase of EUR 1.0 billion. The sale of 24 million shares in LG Display generated EUR 0.7 billion cash proceeds.
- The EUR 1.4 billion reduction in equity is mainly the result of the EUR 1.0 billion repurchase of shares and the EUR 0.7 billion dividend payable, partially offset by the EUR 0.2 billion of net income.
- Early March 2008, Philips placed USD 3.1 billion worth of Senior notes in order to refinance maturing debt.

Number of employees (FTEs) *



* of which discontinued operations 6,321 end Q1 2007, 5,703 end Q4 2007, and 5,597 end Q1 2008.

Employment

- Compared to Q4 2007, the increase in the number of employees includes an additional 11,966 from the recently completed acquisitions of Genlyte, VISICU and Respiration, partly offset by an employee reduction at Consumer Lifestyle and the divestment of HTP Optics in Q1 2008.

Healthcare

Key data

in millions of euros unless otherwise stated

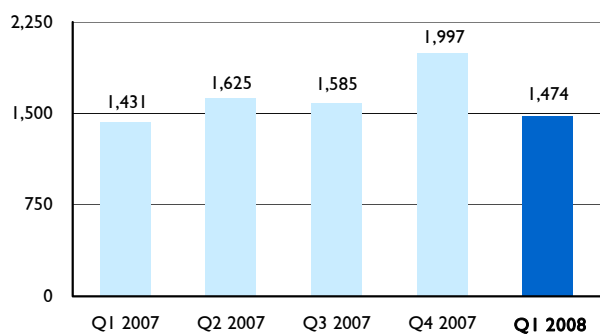
	Q1 2007	Q1 2008
Sales	1,431	1,474
Sales growth		
% nominal	3	3
% comparable	4	5
EBITA	119	121
as a % of sales	8.3	8.2
EBIT	73	77
as a % of sales	5.1	5.2
Net operating capital (NOC)	4,590	8,331
Number of employees (FTEs)	27,204	34,645

Business highlights

- Strengthening its position in the fast-growing Chinese healthcare market, Philips closed a EUR 25 million deal with leading Chinese wholesaler Ascent Profit to sell digital radiography systems, and established a 7-year partnership with West China Hospital to jointly develop imaging procedures.
- Philips announced two strategic acquisitions: Shenzhen Goldway Industrial in China, principally to strengthen its position in this key emerging market; and TOMCAT Systems in Northern Ireland, to expand the Healthcare Informatics business unit.
- Philips completed the installation of its 50th Ambient Experience suite, at Fairview Hospital in Cleveland, Ohio, following other installations in various countries including the US, Saudi Arabia and Germany.
- Philips completed the acquisition of Respironics, the global leader in Obstructive Sleep Apnea treatment. Effective March 10, 2008, Respironics forms the centerpiece of Philips' Home Healthcare portfolio.

Sales

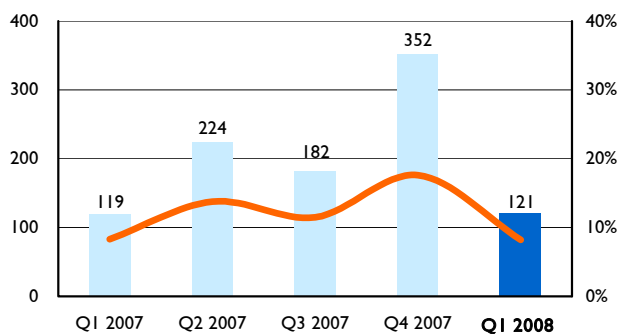
in millions of euros



EBITA

■ EBITA in millions of euros

■ EBITA as a % of sales



Financial performance

- Equipment order intake grew 9% on a currency-comparable basis compared to Q1 2007. Imaging Systems showed double-digit growth in North America, driven mainly by Magnetic Resonance, Nuclear Medicine and Cardiovascular X-Ray.
- Comparable sales grew 5% year-on-year thanks to strong growth in Ultrasound, Cardiac Care, Patient Monitoring and Customer Services. The impact of the growth of these businesses was moderated by a weaker performance at Imaging Systems, which – despite growth in some key modalities – saw flat sales overall.
- EBITA amounted to EUR 121 million, or 8.2% of sales, including EUR 19 million of integration and acquisition-related charges, mainly for Respironics, which reduced profitability by 1.3%. Higher earnings were seen in Ultrasound, Patient Monitoring and Customer Services, mainly driven by margin improvements and cost reductions, partially offset by lower earnings at Imaging Systems.
- Net operating capital increased by EUR 3.7 billion compared to Q1 2007, largely due to the acquisitions and a temporary increase in receivables.

Looking ahead

- For the full year 2008, acquisition and integration charges related to Respironics, VISICU and Emergin are expected to negatively impact EBITA by approximately EUR 100 million, of which EUR 40 million in Q2.

Lighting

Key data

in millions of euros unless otherwise stated

	Q1 2007	Q1 2008
Sales	1,474	1,711
Sales growth		
% nominal	10	16
% comparable	8	3
EBITA	186	200
as a % of sales	12.6	11.7
EBIT	177	158
as a % of sales	12.0	9.2
Net operating capital (NOC)	3,441	5,999
Number of employees (FTEs)	53,308	60,866

Business highlights

- At the Light + Building Fair held in Frankfurt, Germany, in early April, Philips presented a range of LED-based innovations for general illumination, especially for the home, offices, streets, the hospitality sector and shops.
- Philips announced that it plans to participate in a joint venture to set up a manufacturing facility and recycling plant for energy-saving compact fluorescent lamps in Lesotho, Southern Africa.
- Philips officially opened its Automotive Lighting Application Center at the Philips Innovation Campus in Shanghai, China. This center studies local needs in automotive lighting in order to provide customized support and speed up the introduction of the latest lighting technologies into the fast-growing local markets.
- Philips announced the completion of the acquisition of Genlyte, one of the leading North American luminaire manufacturers, which will help to further strengthen its leadership position in solid-state lighting.

Financial performance

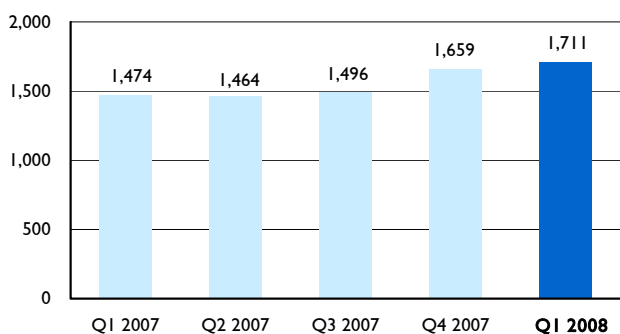
- Sales amounted to EUR 1,711 million – on a comparable basis 3% higher than in Q1 2007 – supported by strong growth of energy-efficient lighting solutions and growth in emerging markets, notably China, India and Latin America. This growth was tempered by lower sales in UHP, backlighting and Lumileds, the latter having executed a product recall earlier in the quarter.
- The recent strategic acquisitions of Genlyte, Color Kinetics, LTI and PLI all contributed positively to both sales and earnings – in line with expectations.
- EBITA increased by EUR 14 million year-on-year – albeit with increased spending on solid-state lighting solutions and temporary softness in Western European markets – and included restructuring, acquisition-related and other incidental charges amounting to EUR 35 million. Q1 2007 included charges totaling EUR 34 million.
- The increase in both net operating capital and employees is mainly related to the acquisitions of Genlyte and Color Kinetics.

Looking ahead

- Restructuring and acquisition-related charges are expected to amount to approximately EUR 20 million in Q2 2008.

Sales

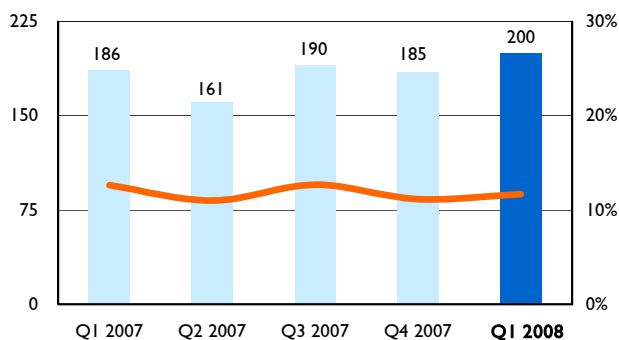
in millions of euros



EBITA

■ EBITA in millions of euros

■ EBITA as a % of sales



Consumer Lifestyle

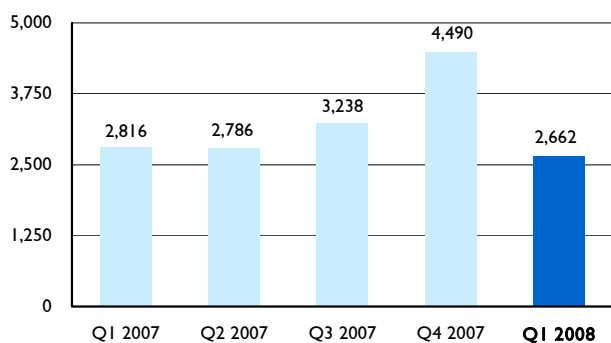
Key data

in millions of euros unless otherwise stated

	Q1 2007	Q1 2008
Sales	2,816	2,662
<i>of which Connected Displays</i>	<i>1,293</i>	<i>1,227</i>
Sales growth		
% nominal	(4)	(5)
% comparable	(2)	-
<i>Sales growth excl. Connected Displays</i>		
% nominal	6	(6)
% comparable	6	-
EBITA	141	77
<i>of which Connected Displays</i>	<i>(51)</i>	<i>(95)</i>
as a % of sales	5.0	2.9
EBIT	138	73
<i>of which Connected Displays</i>	<i>(51)</i>	<i>(95)</i>
as a % of sales	4.9	2.7
Net operating capital (NOC)	1,337	1,398
<i>of which Connected Displays</i>	<i>43</i>	<i>28</i>
Number of employees (FTEs)	24,009	21,868
<i>of which Connected Displays</i>	<i>7,329</i>	<i>6,720</i>

Sales

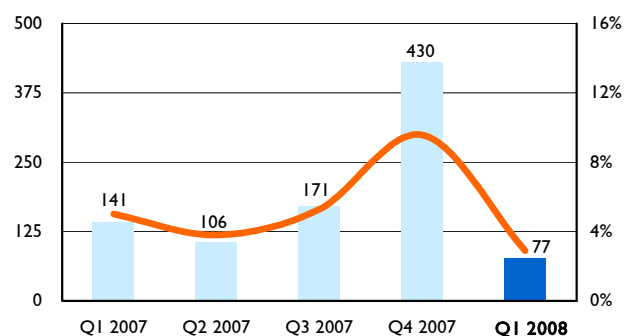
in millions of euros



EBITA

■ EBITA in millions of euros

■ EBITA as a % of sales



Business highlights

- Philips intends to enter into a 5-year licensing agreement under which Funai will assume the sourcing, distribution, marketing and sales of all Philips' consumer television activities in the US and Canada, effective September 2008.
- In March, Philips sold its one-millionth Whole Fruit Juicer, underscoring the ongoing success of our 'Healthy Living' initiatives, which continue to drive strong double-digit growth in our Domestic Appliances business.
- In the US, Philips entered into a multi-year partnership with Bliss, an international beauty brand, launching an at-home hair removal kit.
- In January 2008, Philips Sonicare launched the HealthyWhite whitening toothbrush in Europe, bringing the Flexcare range of products to full complement in the European market.

Financial performance

- On a comparable basis, sales at Consumer Lifestyle were on par with Q1 2007. At Connected Displays, comparable sales declined by 2%, as a result of the continued focus on margin management. Sales levels at most other operational businesses were in line with or higher than Q1 2007, with the strongest growth visible at Domestic Appliances, Shaving & Beauty and Peripherals & Accessories.
- From a geographical perspective, comparable sales growth was particularly strong in emerging markets.
- EBITA declined by EUR 64 million to EUR 77 million, or 2.9% of sales. A EUR 44 million reduction in Connected Displays' EBITA and EUR 30 million lower past-use optical license revenue more than offset moderate improvements in the rest of the business.
- Profitability at the remaining Consumer Lifestyle businesses, notably Domestic Appliances, Shaving & Beauty and Video & Multimedia Applications, remained strong.

Looking ahead

- Margin pressure at Connected Displays is expected to continue.
- Actions to structurally improve the profitability of Connected Displays will continue, resulting in total financial charges of up to EUR 125 million in 2008.
- The sale of the Set-Top Box and Connectivity Solutions activities is now expected to close in Q2 2008.

Innovation & Emerging Businesses

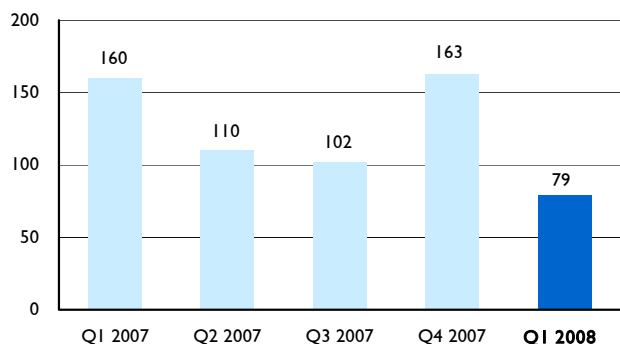
Key data

in millions of euros unless otherwise stated

	Q1 2007	Q1 2008
Sales	160	79
Sales growth		
% nominal	(60)	(51)
% comparable	40	(22)
EBITA Technologies / Incubators	(30)	(46)
EBITA others	(1)	(22)
EBITA	(31)	(68)
EBIT	(31)	(68)
Net operating capital (NOC)	155	216
Number of employees (FTEs)	6,500	5,608

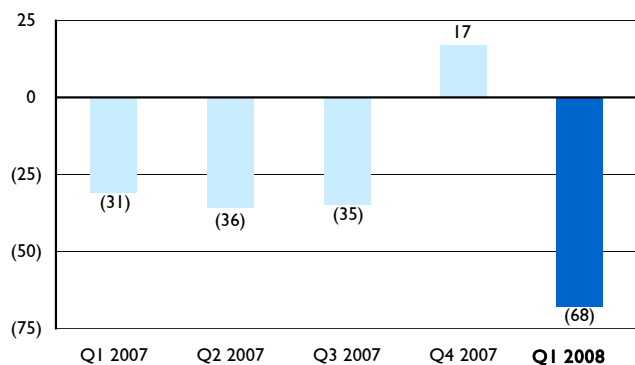
Sales

in millions of euros



EBITA

in millions of euros



Business highlights

- Philips Research announced that it is spearheading the HeartCycle consortium, comprising 18 research, academic, industrial and medical organizations from nine different European countries and China. The consortium aims to improve the quality of life for coronary heart disease and heart failure patients.
- At EuroShop 2008, Philips Research showcased a selection of new lighting solutions that enable interactive product presentations and quick-and-easy atmosphere creation for retailers.
- Philips received the coveted Gold iF product design award for the EcoClassic50/MASTERClassic energy-saving lamp, completing an extremely successful participation in this prestigious international design competition, in which Philips collected a total of 27 awards.

Financial performance

- The EBITA decline compared to Q1 2007 was primarily due to a EUR 13 million loss on the sale of HTP Optics and lower IP license revenues. Q1 2007 EBITA included a EUR 6 million gain on the sale of TASS.
- The year-on-year increase in net operating capital was attributable to the divestment of businesses which operated with negative working capital.
- Compared to Q1 2007, the reduction in the number of employees was mainly due to the divestment of businesses over the past 12 months.

Looking ahead

- Further investment in Research and the Incubators is expected to result in an average quarterly spend of EUR 40 million for the remainder of 2008.

Group Management & Services

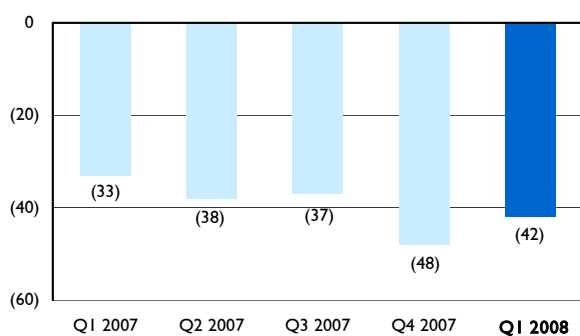
Key data

in millions of euros unless otherwise stated

	Q1 2007	Q1 2008
Sales	49	39
Sales growth		
% nominal	82	(20)
% comparable	96	(22)
EBITA Corporate & Regional Costs	(33)	(42)
EBITA Brand Campaign	(2)	(5)
EBITA Service Units, Pensions and Other	(10)	(18)
EBITA	(45)	(65)
EBIT	(45)	(65)
Net operating capital (NOC)	425	987
Number of employees (FTEs)	6,956	5,628

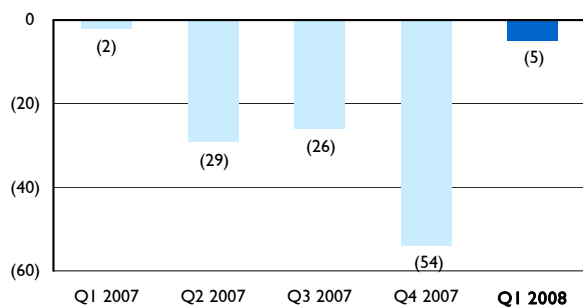
EBITA: Corporate & Regional Costs

in millions of euros



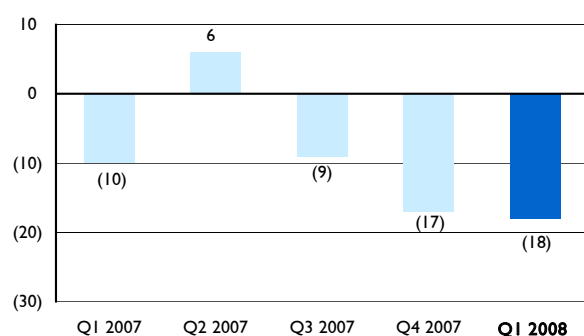
EBITA: Brand campaign

in millions of euros



EBITA: Service Units, Pensions and Other

in millions of euros



Business highlights

- On the publication of its tenth Sustainability Report, Philips announced a one-third increase in Green Product sales to EUR 5.3 billion. Green Product sales now make up 20% of total sales, with strong contributions from the Consumer Lifestyle and Healthcare sectors as well as Lighting.
- SAM Research, the leading asset manager for sustainability investments, which identifies leaders for the Dow Jones Sustainability Indexes, named Philips a SAM Gold Class world leader in its Sustainability Yearbook 2008 and SAM Sector Leader in our industry group.
- Philips was named as a winner in the 2008 Investor Relations Global Rankings in the categories 'best corporate governance practices' and 'best Investor Relations website'.

Financial performance

- The EBITA decline of Corporate & Regional overheads compared to Q1 2007 was mainly due to a different seasonal pattern in overhead-related project spend.
- Costs of pensions and other post-retirement benefits increased compared to Q1 2007.
- The year-on-year increase in net operating capital was primarily related to prepaid pension assets.

Looking ahead

- Investment in the brand campaign is expected to total approximately EUR 20 million in Q2 2008 and EUR 70 million for the full year.
- For the full year, Corporate and Regional overhead costs are expected to be lower than in 2007.
- Costs of pensions and other post-retirement benefit plans for each of the next three quarters are anticipated to be broadly in line with Q1 2008, implying a limited nominal increase for the full year.

Vision 2010 update

In September last year we announced our vision for the year 2010, specifically our goal to more than double our EBITA per share in the coming three years. Following the successful completion of the bulk of our capital reallocation program – including in particular the acquisitions of Genlyte and Respironics – we are now in a position to update Vision 2010 in more detail as follows:

- Our Group-level EBITA margin is now expected to be in the range of 10 – 11% in 2010, with average annual sales growth of above 6%.
- This Group EBITA target is underpinned by the following 2010 EBITA margins per sector:
 - Healthcare 15 – 17%
 - Lighting 12 – 14%
 - Consumer Lifestyle 8 – 10%
- We confirm our objective to more than double EBITA per share by 2010 from the 2007 level.
- We expect our return on invested capital (ROIC) to reach 12 – 13% by the year 2010, significantly above our current ROIC level, which has been negatively impacted by the increase in our asset base driven by recent acquisitions.

Outlook

We expect to be able to continue to benefit from the good defensive qualities demonstrated by our business in the first quarter, specifically Healthcare, Lighting and the non-TV businesses of Consumer Lifestyle.

Anticipating a softening in some mature economies, we will further invest in supporting the excellent growth across the emerging markets and will further sharpen our focus on both cost levels and cash flow.

We will continue to execute on our management agenda with specific focus on the integration of our recent acquisitions and on the further structural steps necessary to deal with the unsatisfactory margins in our TV business.

We are confident that 2008 will be a year in which we make progress towards reaching the objectives set out in Vision 2010.

Amsterdam, April 14, 2008

Board of Management

Consolidated statements of income

all amounts in millions of euros unless otherwise stated

	January to March	
	2007	2008
Sales	5,930	5,965
Cost of sales	(3,939)	(3,992)
Gross margin	1,991	1,973
Selling expenses	(1,112)	(1,143)
General and administrative expenses	(212)	(236)
Research and development expenses	(403)	(409)
Other business income and expenses	48	(10)
Income from operations	312	175
Financial income and expenses	681	46
Income before taxes	993	221
Income tax expense	(92)	(49)
Income after taxes	901	172
Results relating to equity-accounted investees	(49)	60
Minority interests	-	-
Income from continuing operations	852	232
Discontinued operations	23	(13)
Net income	875	219
Weighted average number of common shares outstanding (after deduction of treasury stock) during the period (in thousands):		
• basic	1,100,107	1,048,432
• diluted	1,111,232	1,058,696
Net income per common share in euros:		
• basic	0.80	0.21
• diluted	0.79	0.21
Ratios		
Gross margin as a % of sales	33.6	33.1
Selling expenses as a % of sales	(18.8)	(19.2)
G&A expenses as a % of sales	(3.6)	(4.0)
R&D expenses as a % of sales	(6.8)	(6.9)
EBIT or Income from operations	312	175
as a % of sales	5.3	2.9
EBITA	370	265
as a % of sales	6.2	4.4

Consolidated balance sheets

in millions of euros unless otherwise stated

	March 31, 2007	December 31, 2007	March 31, 2008
Current assets:			
Cash and cash equivalents	5,779	8,769	4,657
Receivables	4,287	4,670	4,773
Current assets of discontinued operations	206	169	156
Inventories	3,108	3,203	3,717
Other current assets	1,341	1,020	1,392
Total current assets	14,721	17,831	14,695
Non-current assets:			
Investments in equity-accounted investees	2,811	1,886	252
Other non-current financial assets	6,744	3,183	4,481
Non-current receivables	222	84	83
Non-current assets of discontinued operations	221	164	154
Other non-current assets	3,520	3,726	3,756
Property, plant and equipment	3,144	3,180	3,419
Intangible assets excluding goodwill	2,011	2,154	3,839
Goodwill	3,945	4,135	7,266
Total assets	37,339	36,343	37,945
Current liabilities:			
Accounts and notes payable	2,755	3,372	2,939
Current liabilities of discontinued operations	53	46	44
Accrued liabilities	3,347	2,984	3,168
Short-term provisions	684	377	405
Other current liabilities	561	509	460
Dividend payable	659	-	720
Short-term debt	1,006	2,345	2,234
Total current liabilities	9,065	9,633	9,970
Non-current liabilities:			
Long-term debt	2,928	1,212	3,171
Non-current liabilities of discontinued operations	2,547	111	102
Long-term provisions	116	2,727	3,498
Other non-current liabilities	666	934	935
Total liabilities	15,322	14,617	17,676
Minority interests	48	42	41
Stockholders' equity	21,969	21,684	20,228
Total liabilities and equity	37,339	36,343	37,945
Number of common shares outstanding (after deduction of treasury stock)			
at the end of period (in thousands)	1,097,563	1,064,893	1,028,349
Ratios			
Stockholder's equity per common share in euros	20.02	20.36	19.67
Inventories as a % of sales	11.7	12.0	13.9
Net debt (cash): group equity	(9):109	(32):132	4:96
Net operating capital	9,948	10,586	16,931
Employees at end of period	124,298	123,801	134,212
of which discontinued operations	6,321	5,703	5,597

Consolidated statements of cash flows *

all amounts in millions of euros unless otherwise stated

	January to March	
	2007	2008
Cash flows from operating activities:		
Net income	875	219
(Income) loss discontinued operations	(23)	13
Adjustments to reconcile income to net cash provided by (used for) operating activities:		
Depreciation and amortization	204	252
Impairment of goodwill, equity-accounted investees and available-for-sale securities	39	-
Net gain on sale of assets	(774)	(69)
(Income) loss from equity-accounted investees (net of dividends received)	87	(9)
Minority interests (net of dividends paid)	-	-
(Increase) decrease in working capital/other current assets	(597)	(1,002)
(Increase) decrease in non-current receivables/other assets/other liabilities	(287)	(58)
Increase (decrease) in provisions	80	78
Proceeds from sales of trading securities	182	-
Other items	20	2
Net cash provided by (used for) operating activities	(194)	(574)
Cash flows from investing activities:		
Purchase of intangible assets	(19)	(28)
Capital expenditures on property, plant and equipment	(152)	(148)
Proceeds from disposals of property, plant and equipment	10	4
Cash from (to) derivatives	(15)	184
Proceeds from sale (purchase) of other non-current financial assets	1,141	737
Proceeds from sale (purchase) of businesses	(487)	(5,213)
Net cash provided by (used for) investing activities	478	(4,464)
Cash flows from financing activities:		
Increase (decrease) in debt	2	1,959
Treasury stock transactions	(306)	(967)
Net cash provided by (used for) financing activities	(304)	992
Net cash provided by (used for) continuing operations	(20)	(4,046)
Cash flows from discontinued operations:		
Net cash provided by (used for) operating activities	(83)	(21)
Net cash provided by (used for) discontinued operations	(83)	(21)
Net cash provided by (used for) continuing and discontinued operations	(103)	(4,067)
Effect of change in exchange rates on cash positions	(14)	(55)
Cash and cash equivalents at beginning of period	6,023	8,877
Cash and cash equivalents at end of period	5,906	4,755
Less cash of discontinued operations at end of period	127	98
Cash of continuing operations at end of period	5,779	4,657
* For a number of reasons, principally the effects of translation differences, certain items in the statements of cash flows do not correspond to the differences between the balance sheet amounts for the respective items.		
Ratio		
Cash flows before financing activities	284	(5,038)

Consolidated statement of changes in stockholders' equity

all amounts in millions of euros

	accumulated other comprehensive income (loss)							total stockholders' equity		
	common stock	capital in excess of par value	retained earnings	currency translation differences	unrealized gain (loss) on available-for-sale securities	pensions (FAS 158)	changes in fair value of cash flow hedges		treasury shares at cost	
Balance as of December 31, 2007	228	-	25,559	(2,373)	1,048	(590)	28	(1,887)	(2,216)	21,684
Net income			219							219
Net current period change				(284)	309	44	5	74		74
Reclassifications into income				11	(99)		(10)	(98)		(98)
Total comprehensive income (loss), net of tax			219	(273)	210	44	(5)	(24)		195
Dividend payable			(720)							(720)
Cancellation of treasury stock	(11)		(1,707)						1,718	-
Purchase of treasury stock									(974)	(974)
Re-issuance of treasury stock		(1)							17	16
Share-based compensation plans		27								27
Balance as of March 31, 2008	217	26	23,351	(2,646)	1,258	(546)	23	(1,911)	(1,455)	20,228

Sectors

all amounts in millions of euros unless otherwise stated
updated to reflect the new sector reporting structure

Sales and income from operations

	1st quarter					
	2007			2008		
	sales	income from operations		sales	income from operations	
		amount	as % of sales		amount	as % of sales
Healthcare	1,431	73	5.1	1,474	77	5.2
Lighting	1,474	177	12.0	1,711	158	9.2
Consumer Lifestyle*	2,816	138	4.9	2,662	73	2.7
Innovation & Emerging Businesses	160	(31)	(19.4)	79	(68)	(86.1)
Group Management & Services	49	(45)	(91.8)	39	(65)	(166.7)
	5,930	312	5.3	5,965	175	2.9
* of which Connected Displays	1,293	(51)	(3.9)	1,227	(95)	(7.7)

Sectors and main countries

all amounts in millions of euros
updated to reflect the new sector reporting structure

Sales and total assets				
	sales		total assets	
	January to March		March 31,	
	2007	2008	2007	2008
Healthcare	1,431	1,474	6,626	10,507
Lighting	1,474	1,711	4,696	7,399
Consumer Lifestyle	2,816	2,662	4,005	4,102
Innovation & Emerging Businesses	160	79	613	520
Group Management & Services	49	39	20,972	15,107
	5,930	5,965	36,912	37,635
Discontinued operations			427	310
			37,339	37,945

Sales and long-lived assets				
	sales		long-lived assets *	
	January to March		March 31,	
	2007	2008	2007	2008
United States	1,559	1,511	4,831	10,414
Germany	441	481	289	285
China	420	444	165	156
France	366	391	104	104
United Kingdom	279	270	784	676
Netherlands	255	261	1,171	1,246
Other countries	2,610	2,607	1,756	1,643
	5,930	5,965	9,100	14,524

* Includes property, plant and equipment and intangible assets

Pension costs

all amounts in millions of euros

	January to March 2008	
	Netherlands	other
Service cost	34	23
Interest cost on the projected benefit obligation	131	100
Expected return on plan assets	(192)	(94)
Net actuarial (gain) loss	(4)	15
Prior service cost (income)	(11)	2
Net periodic cost (income)	(42)	46

The net periodic pension costs in the first quarter of 2008 amounted to EUR 27 million, of which EUR 4 million related to defined-benefit (DB) plans (the Netherlands income of EUR 42 million, other countries cost of EUR 46 million) and EUR 23 million related to defined-contribution (DC) plans (the Netherlands cost of EUR 1 million, other countries cost of EUR 22 million).

	January to March 2008	
	Netherlands	other
Service cost	-	1
Interest cost on the accumulated postretirement benefit obligation	-	8
Translation obligation	-	1
Net actuarial loss	-	2
Net periodic cost	-	12

Consolidated statements of income in accordance with IFRS

all amounts in millions of euros unless otherwise stated

updated to reflect changes in accounting policies for pensions under International Financial Reporting Standards ("IFRS")

	January to March	
	2007	2008
Sales	5,930	5,965
Cost of sales	(3,945)	(4,001)
Gross margin	1,985	1,964
Selling expenses	(1,112)	(1,142)
General and administrative expenses	(197)	(236)
Research and development expenses	(395)	(387)
Other business income and expenses	17	(14)
Income from operations	298	185
Financial income and expenses	679	119
Income before taxes	977	304
Income tax expense	(91)	(57)
Income after taxes	886	247
Results relating to equity-accounted investees	(46)	59
Minority interests	-	-
Income from continuing operations	840	306
Discontinued operations	23	(13)
Net income	863	293
Weighted average number of common shares outstanding (after deduction of treasury stock) during the period (in thousands):		
• basic	1,100,107	1,048,432
• diluted	1,111,459	1,058,960
Net income per common share in euros:		
• basic	0.78	0.28
• diluted	0.78	0.28
Ratios		
Gross margin as a % of sales	33.5	32.9
Selling expenses as a % of sales	(18.8)	(19.1)
G&A expenses as a % of sales	(3.3)	(4.0)
R&D expenses as a % of sales	(6.7)	(6.5)
EBIT or Income from operations	298	185
as a % of sales	5.0	3.1
EBITA	355	256
as a % of sales	6.0	4.3

Consolidated balance sheets in accordance with IFRS

in millions of euros unless otherwise stated

updated to reflect changes in accounting policies for pensions under International Financial Reporting Standards ("IFRS")

	March 31, 2007	December 31, 2007	March 31, 2008
Current assets:			
Cash and cash equivalents	5,779	8,769	4,657
Receivables	4,287	4,670	4,773
Current assets of discontinued operations	206	149	156
Inventories	3,108	3,203	3,717
Other current assets	697	622	867
Total current assets	14,077	17,413	14,170
Non-current assets:			
Investments in equity-accounted investees	2,711	1,817	254
Other non-current financial assets	6,744	3,183	4,481
Non-current receivables	214	78	78
Non-current assets of discontinued operations	218	170	140
Other non-current assets	2,360	2,512	2,684
Deferred tax assets	1,571	1,271	1,362
Property, plant and equipment	3,159	3,194	3,430
Intangible assets excluding goodwill	2,725	2,835	4,514
Goodwill	3,633	3,800	6,940
Total assets	37,412	36,273	38,053
Current liabilities:			
Accounts and notes payable	2,755	3,372	2,939
Current liabilities of discontinued operations	53	46	44
Accrued liabilities	3,329	2,975	3,135
Short-term provisions	689	382	357
Other current liabilities	561	509	460
Dividend payable	659	-	720
Short-term debt	1,012	2,350	2,237
Total current liabilities	9,058	9,634	9,892
Non-current liabilities:			
Long-term debt	2,929	1,213	3,172
Long-term provisions	1,902	2,021	2,001
Deferred tax liabilities	707	667	1,571
Non-current liabilities of discontinued operations	29	32	30
Other non-current liabilities	549	796	900
Total liabilities	15,174	14,363	17,566
Minority interests *	140	127	119
Stockholders' equity	22,098	21,783	20,368
Total liabilities and equity	37,412	36,273	38,053
Number of common shares outstanding (after deduction of treasury stock)			
at the end of period (in thousands)	1,097,563	1,064,893	1,028,349
Ratios			
Stockholder's equity per common share in euros	20.13	20.46	19.81
Inventories as a % of sales	11.7	12.0	13.9
Net debt (cash): group equity	(9):109	(31):131	4:96
Employees at end of period	124,298	123,801	134,212
of which discontinued operations	6,321	5,703	5,597

* of which discontinued operations EUR 87 million end of March 2007 and EUR 79 million end of December 2007

Reconciliation from US GAAP to IFRS

in millions of euros

updated to reflect changes in accounting policies for pensions under International Financial Reporting Standards ("IFRS")

Reconciliation of net income from US GAAP to IFRS		
	January to March	
	2007	2008
Net income as per the consolidated statements of income on a		
US GAAP basis	875	219
Adjustments to IFRS:		
Capitalized product development expenses	46	59
Amortization of product development assets	(47)	(35)
Pensions and other postretirement benefits	15	7
Amortization of intangible assets	(7)	(7)
Provisions	2	(11)
Financial income and expenses	(2)	73
Equity-accounted investees	3	(1)
Deferred income tax effects	1	(8)
Other differences in income	(23)	(3)
Net income in accordance with IFRS	863	293

Reconciliation of stockholders' equity from US GAAP to IFRS		
	March 31,	March 31,
	2007	2008
Stockholders' equity as per the consolidated balance sheets on a		
US GAAP basis	21,969	20,228
Adjustments to IFRS:		
Product development expenses	513	530
Pensions and other postretirement benefits	(78)	(143)
Goodwill amortization (until January 1, 2004)	(283)	(242)
Goodwill capitalization (acquisition-related)	(29)	(84)
Acquisition-related intangibles	201	146
Investments in equity-accounted investees	(100)	2
Recognized results on sale-and-leaseback transactions	49	36
Provisions	55	3
Deferred income tax effects	(206)	(117)
Assets from discontinued operations	(3)	(14)
Other differences in equity	10	23
Stockholders' equity in accordance with IFRS	22,098	20,368

Reconciliation of non-US GAAP performance measures

all amounts in millions of euros unless otherwise stated
updated to reflect the new sector reporting structure

Certain non-US GAAP financial measures are presented when discussing the Philips Group's performance. In the following tables, a reconciliation to the most directly comparable US GAAP performance measure is made

Sales growth composition (in %)	January to March			
	comparable growth	currency effects	consolidation changes	nominal growth
2008 versus 2007				
Healthcare	4.7	(7.6)	5.9	3.0
Lighting	2.7	(4.4)	17.8	16.1
Consumer Lifestyle	(0.5)	(3.7)	(1.3)	(5.5)
Innovation & Emerging Businesses	(21.8)	(2.0)	(26.8)	(50.6)
Group Management & Services	(22.0)	1.6	-	(20.4)
Philips Group	1.0	(4.7)	4.3	0.6

EBITA to Income from operations (or EBIT)	Philips Group		Consumer Lifestyle		I&EB	GM&S
	Healthcare	Lighting	Lighting	Lifestyle		
January to March 2008						
EBITA	265	121	200	77	(68)	(65)
Amortization of intangibles (excl. software)	(71)	(39)	(28)	(4)	-	-
Write-off of acquired in-process R&D	(19)	(5)	(14)	-	-	-
Income from operations (or EBIT)	175	77	158	73	(68)	(65)
January to March 2007						
EBITA	370	119	186	141	(31)	(45)
Amortization of intangibles (excl. software)	(48)	(36)	(9)	(3)	-	-
Write-off of acquired in-process R&D	(10)	(10)	-	-	-	-
Income from operations (or EBIT)	312	73	177	138	(31)	(45)

Composition of net debt and group equity	March 31,	March 31,
	2007	2008
Long-term debt	2,928	3,171
Short-term debt	1,006	2,234
Total debt	3,934	5,405
Cash and cash equivalents	5,779	4,657
Net debt (cash) (total debt less cash and cash equivalents)	(1,845)	748
Minority interests	48	41
Stockholders' equity	21,969	20,228
Group equity	22,017	20,269
Net debt and group equity	20,172	21,017
Net debt (cash) divided by net debt (cash) and group equity (in %)	(9)	4
Group equity divided by net debt (cash) and group equity (in %)	109	96

Reconciliation of non-US GAAP performance measures (continued)

all amounts in millions of euros unless otherwise stated
updated to reflect the new sector reporting structure

Net operating capital to total assets						
	Philips Group	Healthcare	Lighting	Consumer Lifestyle	I&EB	GM&S
March 31, 2008						
Net operating capital (NOC)	16,931	8,331	5,999	1,398	216	987
Exclude liabilities comprised in NOC:						
- payables/liabilities	7,502	1,863	1,203	2,372	214	1,850
- intercompany accounts	-	28	53	75	(24)	(132)
- provisions 1)	2,356	233	134	255	30	1,704
Include assets not comprised in NOC:						
- investments in equity-accounted investees	252	52	10	2	84	104
- other non-current financial assets	4,481	-	-	-	-	4,481
- deferred tax assets	1,456	-	-	-	-	1,456
- liquid assets	4,657	-	-	-	-	4,657
Total assets of continuing operations	37,635	10,507	7,399	4,102	520	15,107
Assets of discontinued operations	310					
Total assets	37,945					

1) provisions on balance sheet EUR 3,903 million excluding deferred tax liabilities of EUR 1,547 million

March 31, 2007						
Net operating capital (NOC)	9,948	4,590	3,441	1,337	155	425
Exclude liabilities comprised in NOC:						
- payables/liabilities	7,329	1,716	1,047	2,277	304	1,985
- intercompany accounts	-	46	44	75	(39)	(126)
- provisions 2)	2,648	232	152	316	64	1,884
Include assets not comprised in NOC:						
- investments in equity-accounted investees	2,811	42	12	-	129	2,628
- other non-current financial assets	6,744	-	-	-	-	6,744
- deferred tax assets	1,653	-	-	-	-	1,653
- liquid assets	5,779	-	-	-	-	5,779
Total assets of continuing operations	36,912	6,626	4,696	4,005	613	20,972
Assets of discontinued operations	427					
Total assets	37,339					

2) provisions on balance sheet EUR 3,231 million excluding deferred tax liabilities of EUR 583 million

Composition of cash flows before financing activities - continuing operations		
	January to March	
	2007	2008
Cash flows used for operating activities	(194)	(574)
Cash flows provided by (used for) investing activities	478	(4,464)
Cash flows before financing activities	284	(5,038)

Philips quarterly statistics

all amounts in millions of euros unless otherwise stated

	2007				2008			
	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter
Sales	5,930	6,033	6,465	8,365	5,965			
% increase	(2)	(4)	4	4	1			
EBITA	370	394	436	865	265			
as a % of sales	6.2	6.5	6.7	10.3	4.4			
EBIT	312	345	385	810	175			
as a % of sales	5.3	5.7	6.0	9.7	2.9			
Net income	875	1,569	331	1,393	219			
per common share in euros	0.80	1.43	0.31	1.31	0.21			
	January- March	January- June	January- September	January- December	January- March	January- June	January- September	January- December
Sales	5,930	11,963	18,428	26,793	5,965			
% increase	(2)	(3)	(1)	-	1			
EBITA	370	764	1,200	2,065	265			
as a % of sales	6.2	6.4	6.5	7.7	4.4			
EBIT	312	657	1,042	1,852	175			
as a % of sales	5.3	5.5	5.7	6.9	2.9			
Net income	875	2,444	2,775	4,168	219			
per common share in euros	0.80	2.22	2.54	3.84	0.21			
Net income from continuing operations as a % of stockholders' equity (ROE)	17.4	24.5	18.1	21.0	4.6			
	period ended 2007				period ended 2008			
Inventories as a % of sales	11.7	12.8	14.2	12.0	13.9			
Net debt : group equity ratio	(9):109	(12):112	(7):107	(32):132	4:96			
Total employees (in thousands)	124	126	128	124	134			
of which discontinued operations	6	6	6	6	6			

Information also available on Internet, address: www.investor.philips.com

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